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Supreme Court, U.S.
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No. 04-40

In the Supreme Court of the United States

INVENTION SUBMISSION CORPORATION, PETITIONER

v.

JONATHAN W. DUDAS,
UNDER SECRETARY OF COMMERCE FOR
INTELLECTUAL PROPERTY AND DIRECTOR,
UNITED STATES PATENT AND TRADEMARK OFFICE,
UNITED STATES DEPARTMENT OF COMMERCE

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

BRIEF FOR THE RESPONDENT IN OPPOSITION

PAUL D. CLEMENT
Acting Solicitor General
Counsel of Record

PETER D. KEISLER
Assistant Attorney General

ANTHONY J. STEINMEYER
ROBERT D. KAMENSHINE
Attorneys

Department of Justice
Washington, D.C. 20530-0001
(202) 514-2217

QUESTIONS PRESENTED

1. Whether the court of appeals correctly held that the inclusion by the Patent and Trademark Office (PTO) of a sample complaint by an inventor against an unnamed invention promoter in advertisements announcing the PTO's services for independent inventors does not constitute a "sanction" against the unidentified company and is therefore not reviewable as "final agency action" under the Administrative Procedure Act, 5 U.S.C. 704.

2. Whether the court of appeals properly declined to adjudicate petitioner's claim under *American School of Magnetic Healing* v. *McAnnulty*, 187 U.S. 94 (1902), on the ground that petitioner failed to present it to the district court.

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OPINIONS BELOW

The opinion of the court of appeals (Pet. App. 1-16) is reported at 357 F.3d 452. The opinion of the district court (Pet. App. 19-28) is reported at 229 F. Supp. 2d 498.

JURISDICTION

The judgment of the court of appeals (Pet. App. 17-18) was entered on February 11, 2004. A petition for rehearing was denied on April 9, 2004 (Pet. App. 29-30). The petition for a writ of certiorari was filed on July 2,

2004. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATEMENT

1. Congress enacted the Inventors' Rights Act of 1999 (IRA), 35 U.S.C. 297 *et seq.*, "to curb the deceptive practices of certain invention promotion companies." H.R. Conf. Rep. No. 464, 106th Cong., 1st Sess. 118 (1999). The IRA protects inventors from invention promotion scams in several ways. First, the Act mandates that invention promoters disclose to potential clients certain pertinent information about their businesses, such as the number of existing clients who have made a profit. 35 U.S.C. 297(a). Second, the Act creates a civil remedy for any inventor injured by an invention promoter's deception. 35 U.S.C. 297(b). Finally, the Act directs the PTO to make "publicly available" "all complaints received by [it] involving invention promoters * * *, together with any response of the invention promoters." 35 U.S.C. 297(d).

The PTO has implemented its statutory authority by establishing "a forum for the publication of complaints concerning invention promoters." 37 C.F.R. 4.1. The PTO's implementing regulation notes that "[t]he Office will not conduct any independent investigation of the invention promoter" and that the civil remedies provided by the Act "must be pursued by the injured party without the involvement of the Office." *Ibid.*

In 1999, the PTO also created the Office of Independent Inventor Programs (OIIP) to assist independent inventors by "simplifying their access to the patent system." See PTO Press Release No. 99-27, *PTO Launches Independent Inventor Web Site*, Sept. 8, 1999 <http://www.uspto.gov/web/offices/com/speeches/99-27.htm> (visited on Sept. 21, 2004). The

OIIP also "works to educate independent inventors about invention marketing firms and the scams that may affect these inventors and offer information on avoiding these problems." *Ibid.* In addition to posting complaints and responses concerning invention promoters, as required by the IRA, the OIIP's web site offers "educational and outreach programs for independent inventors, covering all aspects of the patent and trademark process, including how to file an application and what's patentable." *Ibid.*

2. In January 2003, the PTO initiated an advertising campaign in order to warn the public of invention promotion scams and to encourage inventors to utilize the OIIP's services. Pet. App. 3-4. In a press release describing the forthcoming campaign, the PTO noted that the agency's advertisements would feature "an actual inventor, Edward Lewis, who lost several thousand dollars." *Id.* at 4. In the advertisements, Lewis described how he had spent $13,000 dollars on the services of an invention promotion company but "ha[d]n't seen a penny." *Ibid.* The advertisements did not accuse any particular promotion company of engaging in scams, nor did they identify the company to which Lewis referred. *Id.* at 3- 4, 13.

A cable television journalist who had seen the advertising campaign located Mr. Lewis (with contact information obtained through the PTO) and interviewed him. Pet. App. 4. The cable network then published a story in which it disclosed that petitioner, Invention Submission Corporation, was the invention promotion company with which Lewis had dealt. *Ibid.* The story reported that Lewis had filed a complaint against petitioner with the PTO and that petitioner denied Lewis's accusations. *Id.* at 4-5. In addition, the cable story disclosed that the FTC had investigated

petitioner in the 1990s "for misrepresentation in patent marketing schemes," and that petitioner had settled the matter by refunding $1.2 million and agreeing to change its practices. *Ibid.*

As reported in the cable story, Lewis had, in fact, filed a complaint with the PTO against petitioner. Pet. App. 4. The dispute was apparently resolved, and Lewis withdrew his complaint prior to any response by petitioner. *Id.* at 5. Lewis's complaint was never posted on the PTO's web site. *Ibid.*

3. Shortly after resolving Lewis's claim, petitioner filed the present suit in the United States District Court for the Eastern District of Virginia against the Director of the PTO under the Administrative Procedure Act (APA), 5 U.S.C. 701 *et seq.* Pet. App. 5. Petitioner alleged that the PTO acted beyond its authority when it publicized Lewis's complaint in its advertisements, and that the PTO had done so in order to penalize petitioner. *Ibid.* Petitioner further alleged that "the Acting Director of [OIIP] * * * 'demonstrated [an] animus of the PTO against [petitioner] when he stated an intention to solicit and investigate customer complaints despite the PTO's lack of authority to do this.'" *Id.* at 6.

The district court granted the PTO's motion to dismiss for failure to state a claim upon which relief could be granted. Pet. App. 27. The court reasoned that because the PTO had never identified petitioner as the target of Lewis's complaint, it would only be "speculative" that the PTO's advertisements were referring to the firm. *Id.* at 24-25. As for the Acting Director's statements, the court concluded that they were consistent with the goal of the IRA to eliminate invention promotion scams, and that they did not, in any event, constitute final agency action. *Id.* at 25. The

court held that any harm to petitioner from "merely generic advertisements of agency programs not specifically naming the plaintiff" was too "indirect," in that any such harm was "the result of the reactions and choices of individual inventors." *Id.* at 26-27. Finally, the court rejected petitioner's claim that the PTO had violated the statute and its own regulations, noting that the PTO's conduct did not violate any specific regulation or statutory provision and, more importantly, that it had not done so by final agency action which harmed petitioner. *Id.* at 27.

4. Petitioner appealed to the United States Court of Appeals for the Fourth Circuit. The court of appeals agreed with the district court that "the PTO['s] advertising campaign was not a final agency action," but observed that, in light of this conclusion, the appropriate basis for dismissal was for lack of jurisdiction, under Federal Rule of Civil Procedure 12(b)(1), rather than for failure to state a claim, under Rule 12(b)(6). Pet. App. 2, 16. The court of appeals vacated and remanded for entry of a revised order of dismissal to that effect. *Id.* at 16.

The court of appeals noted that "final agency action * * * must be the 'consummation of the agency's decisionmaking process * * * [and] must be [an action] by which rights or obligations have been determined, or from which legal consequences will flow.'" Pet. App. 12 (quoting *Bennett* v. *Spear*, 520 U.S. 154, 178 (1997)). Prior circuit precedent applying that standard had "explained that the persuasive value of agency reports or publications did not create a reviewable agency action under the APA because such reports or publications in themselves did not 'create any rights, obligations, or consequences.'" Pet. App. 12 (citing

Flue Cured Tobacco Cooperative Stabilization Corp. v. *EPA*, 313 F.3d 852, 860 (4th Cir. 2002)).

Turning to the merits of petitioner's claims, the court of appeals stressed that the PTO's "facially neutral" advertising materials "did not name or single out [petitioner] or any other invention promoter," and that any adverse effect on petitioner resulted from a journalist's independent action. Pet. App. 13-14. The court held that "the PTO's advertising campaign, including its conduct in giving a journalist Lewis's phone number, is not the type of conduct that constitutes agency action that is reviewable in court under the APA." *Ibid.* The court noted that aside from the PTO's "decision to conduct an advertising campaign at all—a decision that [petitioner] has not challenged—the content of the campaign was not the consummation of any decisionmaking process that determined rights or obligations or from which legal consequences flowed." *Id.* at 14. Rather, "[t]he text of the advertising material can only be construed to be an effort * * * to inform inventors of the perils and potential scams that they might encounter." *Ibid.*

Finally, addressing petitioner's claim that the advertising must be considered "in light of the intent of PTO officials whose purpose was more clearly focused on [petitioner]," the court of appeals concluded that "[s]uch underlying intent * * * does not convert the PTO's legal advertising material warning generally of invention promotion scams into a PTO sanction" imposed on petitioner. Pet. App. 15.

In a footnote, the court noted that petitioner "also seeks to justify the federal court's jurisdiction on its general equity jurisdiction to review unlawful actions of officials of an administrative agency, under the '*McAnnulty* Doctrine.'" Pet. App. 9 n.* (citing *American*

School of Magnetic Healing v. *McAnnulty*, 187 U.S. 94 (1902)). The court declined to address that argument, however, because petitioner had not raised it in the district court. *Ibid.*[1]

ARGUMENT

The decision of the court of appeals is correct, and does not conflict with any decision of this Court or any other court of appeals. Further review is not warranted.

1. The only issue decided by the court of appeals was that the PTO's media campaign to advertise the OIIP's services for independent inventors and to warn generally against invention marketing scams did not constitute a sanction against petitioner that was reviewable as "final agency action" under the APA. Petitioner's challenge (Pet. 15-20) to that fact-specific and unexceptional determination does not warrant review by this Court.

This Court has held that, "[a]s a general matter, two conditions must be satisfied" for an act to be "final agency action" reviewable under the APA, 5 U.S.C. 704. *Bennett* v. *Spear*, 520 U.S. 154, 178 (1997). "First, the action must mark the consummation of the agency's decisionmaking process * * *. And second, the action must be one by which rights or obligations have been determined, or from which legal consequences will flow." *Ibid.* (internal quotation marks and citations omitted). Petitioner does not reference that standard, much less explain how it is satisfied in this case.

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[1] On remand, petitioner sought to file an amended complaint to add a claim under *McAnnulty*. The district court denied petitioner's motion. No. 1:02cv1038(LMB) (E.D.VA Aug. 13, 2004). That order is not before this Court.

Instead, petitioner urges review of the Fourth Circuit's decision because, according to petitioner, under it "an agency harboring malice toward a specific company has the absolute and unchecked power to utilize the full force of agency resources to illegally penalize that company through the use of false or unauthorized adverse publicity." Pet. 8. The court of appeals' decision, however, establishes no such sweeping rule. To the contrary, the opinion emphasizes repeatedly "the circumstances of this case," Pet. App. 15, including, in particular, the fact that the PTO's publicity campaign "did not name or single out [petitioner] or any other invention promoter," but was, instead, "facially neutral, aimed at all invention promotion scams." *Id.* at 13. See *id.* at 14 ("an effort by the PTO to inform inventors of the perils and potential scams that they might encounter during the patent process"); *id.* at 15 ("advertising material warning generally of invention promotion scams" that "does not reference an intent to penalize any particular company").

Thus, contrary to petitioner's suggestion, this case does not present the question whether "the PTO has * * * authority" to "mak[e] false public accusations against [petitioner]," Pet. 5, because the PTO's advertising campaign made no accusation against any particular company, including petitioner. Any adverse effect suffered by petitioner "was based on the fact that a journalist linked [petitioner] with Lewis," an indirect impact that cannot convert the PTO's generic publicity campaign into a sanction against petitioner. Pet. App. 14.

The Fourth Circuit's decision is further limited by the fact that the publicity campaign challenged here was undertaken in furtherance of Congress's specific desire, reflected in the IRA, to "warn[] the public about

invention promotion scams." Pet. App. 15. Congress itself found, and reported, that "certain invention promotion companies" were engaging in "deceptive practices." H.R. Conf. Rep. No. 464, 106th Cong., 1st Sess. 118 (1999). See H.R. Rep. No. 287, 106th Cong., 1st Sess. Pt. 1, at 32 (1999) ("First-time inventors are frequently cheated out of hundreds of millions of dollars annually by unscrupulous invention promoters."). In the IRA, Congress authorized the PTO to publicize inventors' complaints as a way to combat this problem. 35 U.S.C. 297(d). Notably, petitioner does not challenge the PTO's authority under the IRA to publicize the prevalence of invention promotion scams generally or the OIIP's services to assist inventors to avoid such scams, including the collection and publication of inventor complaints. See Pet. App. 14. The campaign's use of an actual inventor to dramatize the issue, but without mentioning the particular company with which the inventor had dealt, did not convert the campaign into a "sanction" against petitioner.

The Fourth Circuit's holding does not, contrary to petitioner's assertions, conflict with the D.C. Circuit's decision in *Industrial Safety Equipment Ass'n* v. *EPA*, 837 F.2d 1115 (1988). There, the Environmental Protection Agency (EPA) had issued a guide in which it warned that eleven identified respirators, out of the thirteen certified, were "not recommended * * * for use against asbestos." *Id.* at 1117 (quoting EPA guide). The court of appeals noted that the plaintiff based its assertion of "reviewability entirely on its characterization of the Guide as an agency rule." *Id.* at 1119. The D.C. Circuit held that "the Guide does not qualify as agency action and hence is not reviewable," because it did "not change any law or official policy presently in effect," and that "any effect it might have on respirator

manufacturers is indirect and arises from the reactions and choices of industry customers and workers." *Id.* at 1119-1120, 1121. That holding is entirely consistent with the Fourth Circuit's analysis and decision here.

Petitioner urges, however, that the Fourth Circuit's decision is in conflict with dictum elsewhere in the D.C. Circuit's opinion suggesting that adverse publicity could, in an appropriate case, be reviewed under the APA as a "sanction." 837 F.2d at 1119. Notably, the EPA guide at issue before the D.C. Circuit had specifically identified eleven named respirators as "not recommended * * * for use against asbestos." *Id.* at 1117. In the context of a publication specifically discouraging use of particular items, the D.C. Circuit indicated that such publicity might, in some case, constitute a reviewable sanction, "especially * * * if an information release caused 'destruction * * * of property,' or 'revocation * * * of a license.'" *Id.* at 1119.[2] The Fourth Circuit's decision here is not inconsistent with the D.C. Circuit's dictum, because, as the Fourth Circuit repeatedly emphasized, the PTO's advertising campaign does not single out a particular promoter for adverse treatment. Pet. App. 13, 14, 15.

The First Circuit's decision in *B.C. Morton Int'l Corp.* v. *FDIC*, 305 F.2d 692 (1962), is also inapposite to the question whether the PTO's advertising campaign constituted a reviewable final agency action. In that case, the plaintiff sued for a declaratory judgment alleging that the FDIC had issued a statement in which

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[2] On its facts, *Industrial Safety* held that the EPA guide was not a "sanction" because there was "neither evidence that [it] was intended to penalize producers or consumers of the eleven lawful, but criticized respirators, nor evidence that [it] is false." 837 F.2d at 1119.

it wrongly declared that a certain kind of deposit, in which the plaintiff dealt, was not insured. *Id.* at 694. That case was not brought under the APA, but under the FDIC's "sue and be sued" clause. *Ibid.* Thus, the case did not present the question whether the FDIC's press statement constituted "final agency action" for purposes of the APA. The issues that the case did decide—(1) whether the qualified immunity that shields individual officials from damages liability also protected the FDIC from a claim for declaratory and injunctive relief, *id.* at 695-696, and (2) whether the case presented an Article III case or controversy, *id.* at 696-698—are not presented here.

2. Petitioner also asserts (Pet. 9-12) that review is appropriate to address the availability of judicial review of an agency's allegedly *ultra vires* acts pursuant to the decision in *American School of Magnetic Healing* v. *McAnnulty*, 187 U.S. 94 (1902).[3] The question whether *McAnnulty* might provide a basis for judicial review is not presented by this case, however, because the court of appeals declined to address the argument on the ground that the issue had been "rais[ed] for the first time on appeal." Pet. App. 9. The rule that an appellate court will not generally consider an issue that was not first presented to the district court is well-established, see, *e.g.*, *Singleton* v. *Wulff*, 428 U.S. 106, 120 (1976) (general rule that "a federal appellate court does not consider an issue not passed upon below"), and

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[3] The petition contains a separate argument sub-heading referring to the "presumption in favor of judicial review." Pet. 13. We do not understand petitioner to urge this as an independent basis for judicial review—no such argument was made in the court of appeals—but rather as further support for petitioner's arguments in favor of review under either the APA or *McAnnulty*. Thus, we do not respond to it separately.

its application does not warrant review by this Court. Just as the court of appeals would not consider an issue that had not been ruled upon by the district court, this Court generally will not grant certiorari to consider an issue that the court of appeals did not address. See *National Collegiate Athletic Ass'n* v. *Smith*, 525 U.S. 459, 469 (1999) ("we do not decide in the first instance issues not decided below").

Petitioner claims that in the course of finding a waiver, the court of appeals erroneously "conclud[ed] that [its] subject matter jurisdiction under the *McAnnulty* Doctrine is separate from the federal question jurisdiction under the APA." Pet. 12. Petitioner further asserts that, on this point, "the Fourth Circuit's decision is in direct conflict," *ibid.*, with those of the D.C. Circuit in *Aid Ass'n for Lutherans* v. *United States Postal Service*, 321 F.3d 1166 (2003), and *Chamber of Commerce of the United States* v. *Reich*, 74 F.3d 1322 (1996), and of the Ninth Circuit in *The Presbyterian Church (USA)* v. *United States*, 870 F.2d 518 (1989). No such conflict exists.

The court of appeals described *McAnnulty* as "a doctrine of equity jurisdiction apart from the APA." Pet. App. 9 n*. Contrary to petitioner's assertion, the D.C. Circuit has likewise characterized review under *McAnnulty* as distinct from the cause of action for judicial review of final agency action established in Section 704 of the APA. See *Aid Ass'n for Lutherans* 321 F.3d at 1172 (Postal Service "mistaken" in "assum[ing] that any right that appellees have to judicial review must arise under the APA," the judicial review provisions of which were expressly made inapplicable to the Postal Service); *Chamber of Commerce of the United States*, 74 F.3d at 1326-1328 (holding "nonstatutory" review available pursuant to *McAnnulty* where plaintiffs had

not invoked the APA, which was arguably unavailable).[4] The Ninth Circuit case cited by petitioner, *Presbyterian Church*, concerned the scope of the waiver of sovereign immunity under 5 U.S.C. 702 with respect to claims that "arise out of the Constitution," not the requirements of a cause of action under Section 704. 870 F.2d at 524-526. Indeed, the court dismissed as irrelevant cases construing the latter's "final agency action" requirement. *Id.* at 526 ("many of [the government's authorities] have nothing to do with § 702's waiver of sovereign immunity, but rather are concerned with the definition of 'final agency action' reviewable under § 704 of the APA"). These cases, therefore, are not inconsistent with the court of appeals' statement that the question of the availability of review under *McAnnulty* is distinct from the question whether Section 704's requirement of final agency action has been met.

Rather than reflecting a broad rule regarding the availability of review under *McAnnulty*, the court of appeals merely held that petitioner could not assert a cause of action under *McAnnulty* separate and distinct from the cause of action for judicial review under

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[4] We note that these decisions of the D.C. Circuit, like *McAnnulty* itself, involved agency conduct that would have satisfied the "final agency action" requirement. See *McAnnulty*, 187 U.S. at 98-99 (order of the Postmaster General prohibiting delivery of letters); *Aid Ass'n for Lutherans*, 321 F.3d at 1170 (Postal Service determination that particular materials were not eligible for reduced postage rate); *Chamber of Commerce of the United States*, 74 F.3d at 1324-1325 (challenge to an executive order and implementing regulations concerning replacement of striking workers on government contracts). Thus, it is far from clear that *McAnnulty* could serve as a basis for review of actions, such as those here, that would not satisfy the APA's final agency action requirement.

Section 704 of the APA, where petitioner had not invoked *McAnnulty* in the district court and where the court of appeals decision that petitioner claimed should have alerted the district court to the *McAnnulty* issue had not mentioned *McAnnulty* either. That fact-specific finding of waiver does not warrant this Court's review.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

PAUL D. CLEMENT
Acting Solicitor General

PETER D. KEISLER
Assistant Attorney General

ANTHONY J. STEINMEYER
ROBERT D. KAMENSHINE
Attorneys

SEPTEMBER 2004